

HOUSE BILL REPORT

SJM 8014

As Reported by House Committee On:
Children & Family Services

Brief Description: Requesting that the privatization of social security be rejected.

Sponsors: Senators Thibaudeau, Jacobsen, Fairley, Brown, Prentice, McAuliffe, Regala, Rockefeller, Fraser, Rasmussen, Weinstein, Kline, Keiser and Kohl-Welles.

Brief History:

Committee Activity:

Children & Family Services: 3/31/05 [DP].

Brief Summary of Bill

- Requests that Congress and the Presidential Administration reject the current effort to privatize Social Security.

HOUSE COMMITTEE ON CHILDREN & FAMILY SERVICES

Majority Report: Do pass. Signed by 5 members: Representatives Kagi, Chair; Roberts, Vice Chair; Darneille, Dickerson and Pettigrew.

Minority Report: Do not pass. Signed by 4 members: Representatives Hinkle, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Dunn and Haler.

Staff: Cynthia Forland (786-7152).

Background:

Social Security is a social insurance system established in 1935 to provide benefits to workers and their family members upon retirement, disability, or death. It is an earned benefit insurance program, which means that only those who work and pay taxes are eligible for Social Security benefits. According to the most recent data, Social Security provides monthly benefits to 47 million beneficiaries. In 2001, Social Security paid a total of \$471 billion to retired workers, disabled workers, and to the surviving family members of deceased workers.

Social Security offers mainly retirement benefits, but workers can receive four different types of benefits under Social Security: retirement, early retirement, disability, and survivorship benefits. Workers are entitled to retirement benefits if they have contributed to Social Security for at least 10 years, and if they have reached 65 years of age, or 67 years of age for those born after 1959. Early retirement benefits are available to workers, at a reduced benefit rate, if they have contributed to Social Security for at least 10 years, and if they have reached the earliest

age at which benefits can be paid, which is currently 62 years of age. Workers are also insured in case they become disabled and can no longer work. The number of years that are required to receive disability benefits varies with the age of a worker. Social Security offers life-insurance type benefits to workers. If a worker dies, that worker's family receives benefits from Social Security. Survivorship benefits are paid if the deceased worker has, on average, worked at least one quarter for each year after the worker reached 21 years of age.

Summary of Bill:

It is requested that Congress and the Presidential Administration reject the current effort to privatize Social Security and instead engage in an open dialogue with the American public to arrive at a sensible solution that preserves the original intent of Franklin Delano Roosevelt, making Social Security an insurance fail-safe for the aged and disabled and a complement to every individual's ability to invest in the private market on their own.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: The promise of Social Security, when it was signed into law, was that if you worked hard, you wouldn't have to worry about living in poverty. Social Security was an IOU, issued by all citizens to their fellow citizens, saying in essence that we are not going to discard you, just because you are old or disabled. Now there is an effort to back away from that promise, to end the guarantee. No one is suggesting that we don't have a Social Security problem, but we don't have a crisis. We can arrive at a reasonable fix that preserves the central promise of Social Security without exposing millions of Americans to the ups and downs of the stock market.

The President's Commission on Social Security recommends establishing private accounts carved out of Social Security for younger workers and reducing benefits by changing the COLA indexing from wage-based to price-based. The result of these two recommendations would be drastic for future retirees and the nation's economy. Personal savings accounts, such as 401(K)s and IRAs, in addition to Social Security are strongly supported, but carving private accounts out of Social Security is strongly opposed.

Testimony Against: None.

Persons Testifying: Senator Thibaudeau, prime sponsor; and Gene Forrester, Senior Citizens' Lobby and American Association of Retired Persons, National Legislative Council.

Persons Signed In To Testify But Not Testifying: None.